



EUROPEAN PAYMENTS COUNCIL
Towards our Single Payment Area

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SEPA Payment Schemes: Approach to Implementation & Scheme Management

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SEPA Conference

Malta, 26 October 2007



4 weeks to go
5 weeks to go
6 weeks to go
7 weeks to go
8 weeks to go
9 weeks to go
10 weeks to go
11 weeks to go
12 weeks to go
13 weeks to go
14 weeks to go to 28 January 2008

(including this week, beginning 23 October 2007)



1. The SEPA Programme
2. The SEPA Payments Schemes
3. The Approach to SEPA Implementation
4. Scheme Management



The SEPA Programme: Overview

- **Vision:** “A euro area in which **all payments are domestic**, where the current differentiation between national and cross-border payments no longer exists”
- **Expected deliverables** for the Euro area (EU13 – soon to be 15):
 - **credit transfer** available to customers **from 28 Jan. 2008**
 - **direct debit** available for customers **at the latest from Nov. 2009**, earlier start encouraged
 - **cards:** elimination of all technical and contractual provisions, business practices and standards **from Jan. 2008**
 - encouragement to deliver a **debit card scheme**
 - encouragement to deliver **e-payments, m-payments and e-invoicing**
- **2008:** implementation
 - NCBs will facilitate implementation process
 - public administrations should be first movers
- **2010:** migration **of critical mass**
 - NCBs will facilitate migration process



The SEPA Programme: Objectives European Commission

- **Objectives Payment Services Directive**
 - The EU needs to create a **single market for payments**
 - **Enhanced competition by** opening up markets, **ensuring a level playing field, encouraging innovation and increased market transparency** for both providers and users
- **Policy Provisions**
 - **Standardised rights and obligations** for providers and users of payment services in the EU, with a strong emphasis on a **high level of consumer protection**
 - Creation of **Payment Institutions**
- **Next Steps**
 - Transposition in national laws of EU27 (and EEA)
 - Public administrations should be first movers
- **Objectives European Competition Network**
 - Stakeholder involvement, innovation and interchange agreements



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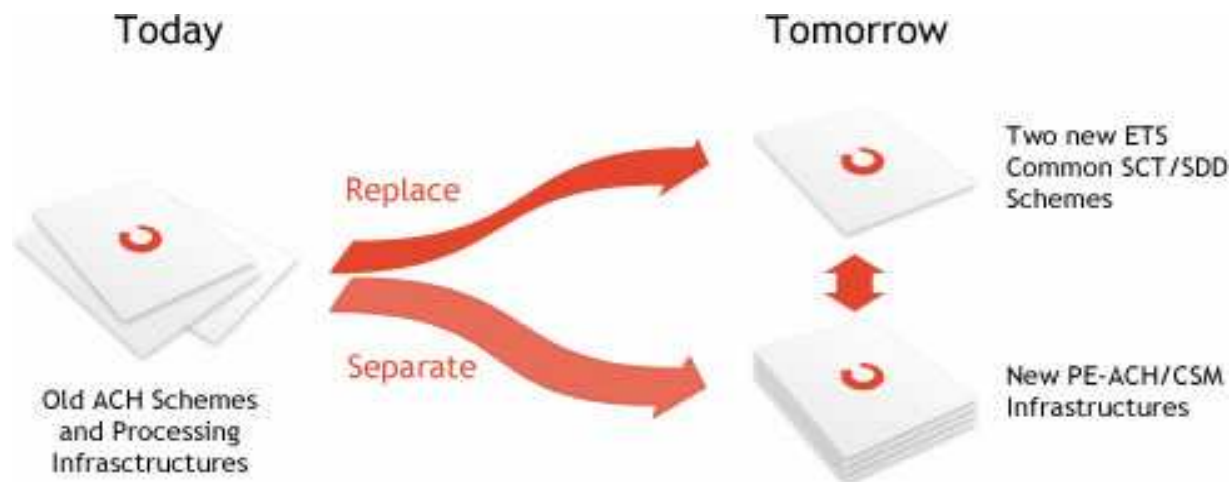


A Scheme is a set of rules, practices and standards agreed between providers of payments services

- **SEPA Credit Transfer (SCT) Scheme**
- **SEPA Direct Debit (SDD) Scheme**

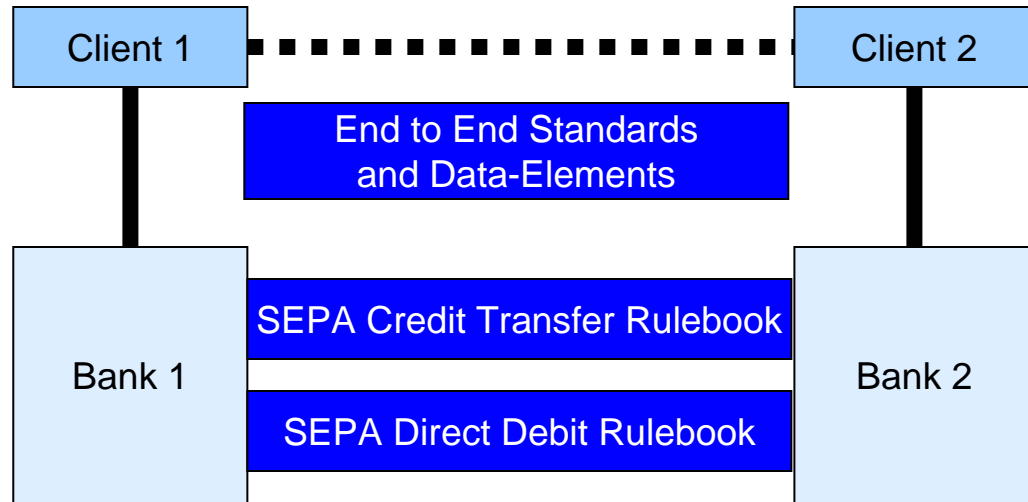
The strategy adopted for payment schemes includes:

- replacement of current schemes (25+ today)
- separation of Scheme from Clearing & Settlement Mechanism (CSM)





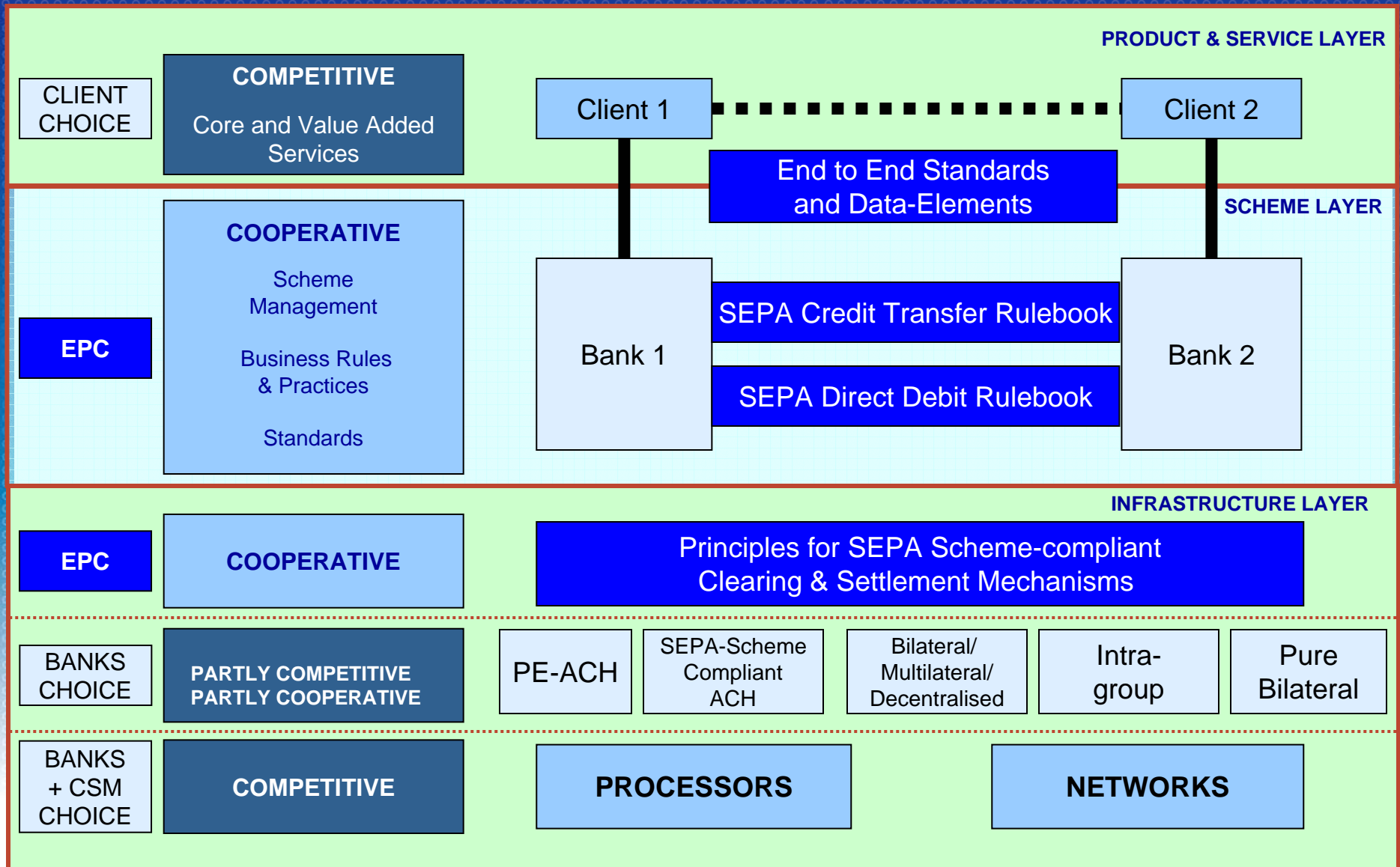
SEPA Payment Schemes Four-cornered model





SEPA Payment Schemes

The full picture





SEPA Payment Schemes Baseline for implementation

SEPA Credit Transfer Scheme Rulebook, version 2.3 approved in June 2007

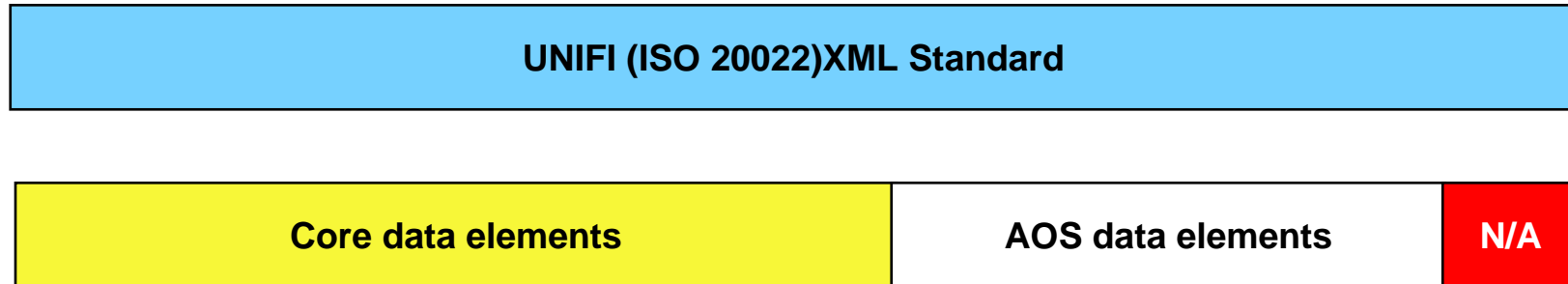
SEPA Direct Debit Scheme Rulebook, version 2.3 approved in June 2007

Supporting documents:

- SEPA Data Model
- UNIFI (ISO 20022) XML Standards
- Implementation Guidelines
- PE-ACH/CSM Framework
- SEPA Testing Framework



- For payments in euro (although customer account(s) may be in another currency)
- Payments are made in full, no deductions permitted
- Maximum time cycles defined (e.g. D+3 for SCT, although the PSD may overrule this)
- BIC for routing
- IBAN as sole account identifier
- 140 character remittance data carried end-to-end



All core data entering the payment chain must be carried through unaltered to the Beneficiary Bank, with a defined minimum subset - including remittance data field of 140 characters – delivered to the Beneficiary.

A community may implement Community Data Additional Optional Services (AOS) and/or additional Usage Rules for core data elements.

Community Data AOS & Usage Rules must be declared publicly



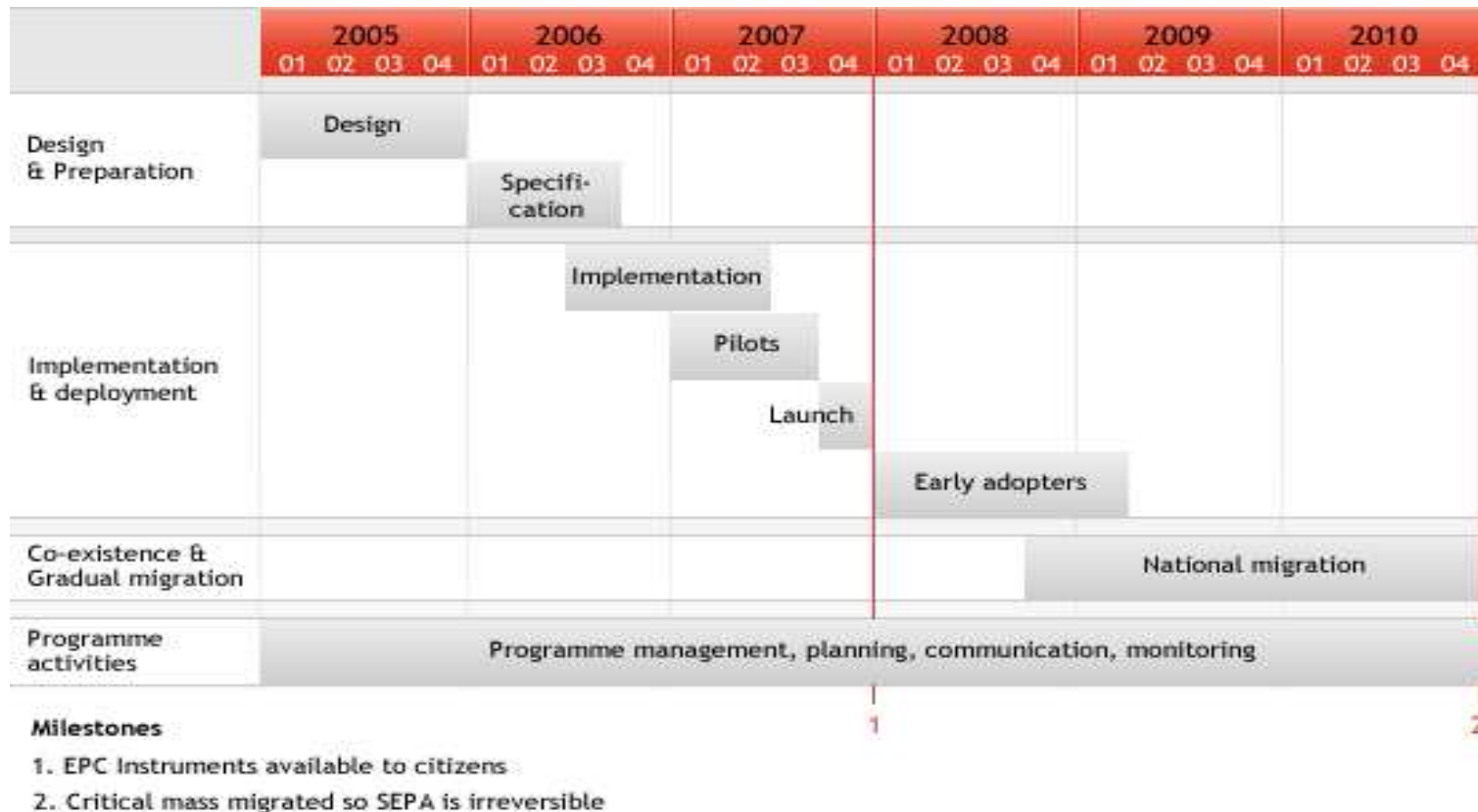
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The Approach to SEPA Implementation

When will SEPA happen?

- From 2008 : SEPA Credit Transfer will operate alongside existing national processes (Direct Debit delayed by PSD until 2009)
- End 2012: full migration, purely national solutions will no longer exist



The Approach to SEPA Implementation Overall Programme Status

EPC has completed the Scheme designs for SEPA launch in 2008

DESIGN



IMPLEMENTATION

Now it's the responsibility of banks and communities of banks to:

- implement the Schemes
- ensure the necessary infrastructure and reachability
- test the implementation
- be operationally ready before 28/01/2008



The Approach to SEPA Implementation

Actions needed from banks

EPC and the European banking industry are committed to SEPA.

Operational readiness is needed by 28th January 2008:

- be SEPA Credit Transfer Scheme compliant
- process SEPA payments according to SEPA rulebooks
- offer customers at least one SEPA Scheme-compliant C-2-Bank channel
- adapt internal and external systems and interfaces
- conduct tests according to SEPA Testing Framework with national participants and CSMs
- be reachable

The Approach to SEPA Implementation

Roles & Responsibilities

EPC is responsible for:

- Defining the SEPA Testing Framework, including acceptance criteria & scenarios to be used by each SEPA community as basis for community testing, and communicating these to the communities
- Defining test stages and reporting process, but not conduct/manage any testing activities beyond its own operational deliverables
- Carrying out the functions of Scheme Management creating and maintaining the Scheme Participants register
- Defining community reporting requirements and test measurements to be used to monitor progress
- Monitoring overall testing and compliance progress
- Liaising with ECB



The Approach to SEPA Implementation

Roles & Responsibilities

Communities are responsible for:

- Managing the community SEPA Implementation Programme
- Organising and managing SEPA community testing activity
- Defining test cases based on the Scenarios produced by EPC
- Defining community test plans and their own criteria for SEPA Scheme compliance, and communicating these to the EPC
- All test phases (including inter-bank, bank-CSM-bank, and bank-to-customer (i.e. end-to-end testing))
- Involving CSMs in all testing
- SEPA-wide testing plus SEPA 'national' payments
- Defining test cases to cover any community AOS
- Fulfilling the EPC reporting requirements
- Handling communications within the community
- Receiving declaration of readiness from individual banks
- Reporting achievement of SEPA Scheme compliance to EPC

The Approach to SEPA Implementation

Roles & Responsibilities

Participants are responsible for:

- Implementing SEPA Scheme-compliant products and services
- Executing as a minimum the test cases produced by the community (including those for community AOS)
- Defining and executing test cases to cover any proprietary AOS (if required)
- Respecting the community test plan and acceptance criteria
- Involving CSM(s) in all testing
- Carrying out SEPA-wide testing plus SEPA 'domestic' payments
- Maintaining internal communications within the community
- Reporting their operational readiness to the community

Eurosystem/NCBs role is:

- Eurosystem/NCBs are performing a monitoring role
- Eurosystem/NCBs only become involved in active testing if they carry out an operational role, i.e. act as a CSM or a Participant



The Approach to SEPA Implementation Process for Operational Readiness

- The basis for SEPA being operationally ready is the readiness of individual banks (and CSMs).
- A bank will declare itself operationally ready when it successfully completes the predefined test scenarios
- A community will declare itself SEPA operationally ready to EPC when its constituent banks achieve readiness to the pre-defined set of criteria communicated to EPC (e.g. 80% of declared Participants are ready)
- EPC will receive the individual communities' self-declarations of readiness
- The EPC decision to launch SEPA will be based on achieving a predefined level of declared readiness



The Approach to SEPA Implementation

Phasing of SEPA Testing

Preparation for Testing – H2 2006 – H1 2007 :

EPC

September 06

October 06

December 06

December 06

Scheme Rulebooks v2.1 (the basis for tests)
Established a project to deliver SEPA Testing Framework
Present SEPA Testing Framework to the EPC plenary
Scheme Rulebooks v2.2 approved (= v2.1+Scheme Management)

Community

H1 07

Declaration of criteria for operational readiness to EPC
Feedback issues for clarification to EPC
Definition of specific acceptance criteria
Preparation of test cases (including those for community AOS)
Rulebooks v2.3 approved

Participants

H1 07

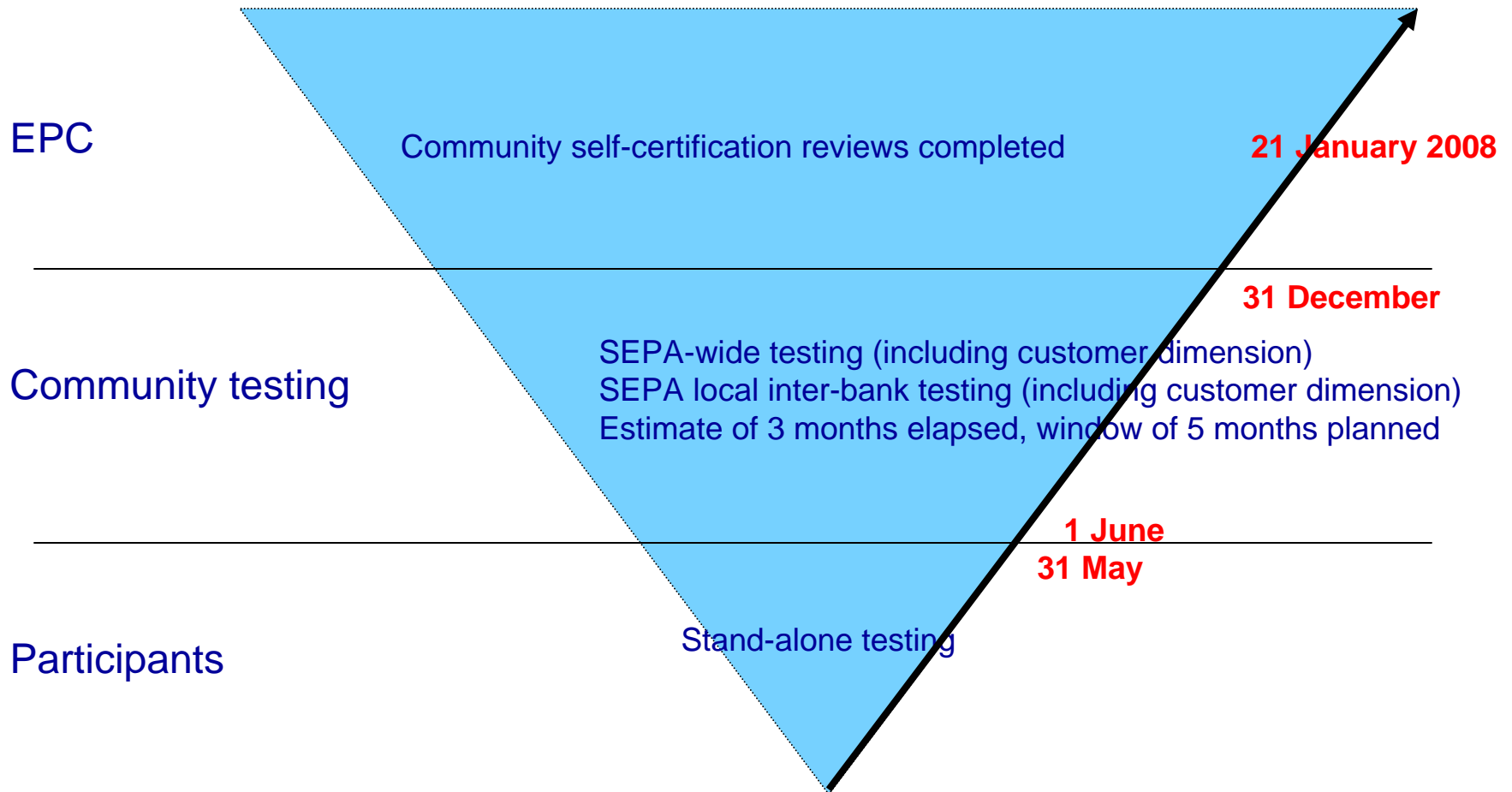
Feedback issues for clarification to Community
Preparation of test cases (including those for own AOS)



The Approach to SEPA Implementation

Possible Phasing of SEPA Testing

Test execution - 2007:





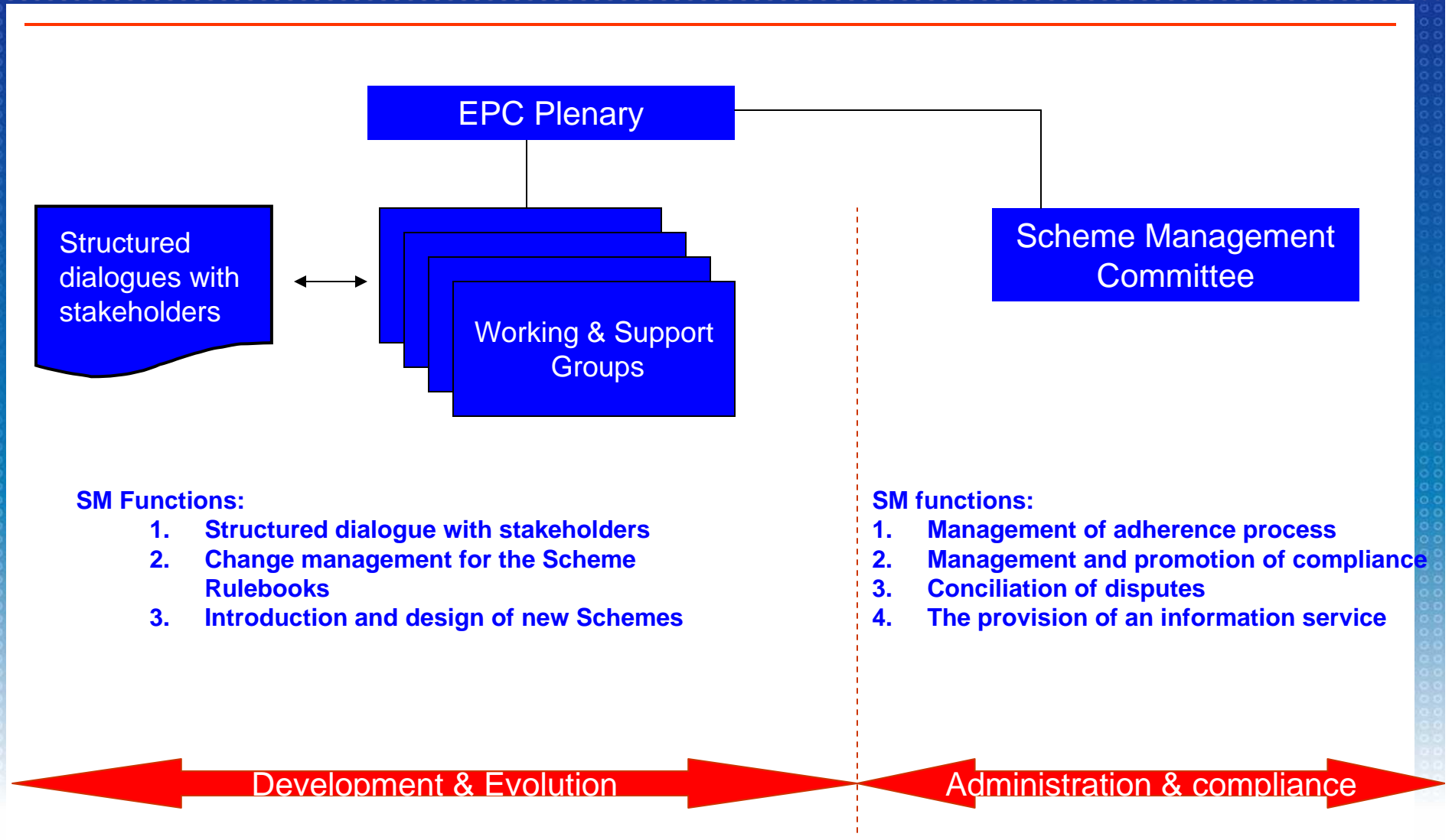
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1. Dialogue with stakeholders allowing them to make suggestions concerning the Schemes
2. Maintenance and evolution of the Schemes in a controlled manner to reflect evolving market needs and innovation
3. Design & introduction of new Schemes
4. Management of the Adherence Process by which banks become Scheme Participants
5. Conciliation of non-compliance disputes between Participants (not end customers)



Scheme Management Governance Structure 1/2





Development & Evolution:

- The “as is” EPC Structure
- Plenary as the sole decision making body
- Funding by EPC Members
- Plenary approval required for any changes to Rulebooks

Administration & Compliance:

- Newly formed Scheme Management Committee (SMC)
- Part of the existing EPC legal structure (EPC aisbl, under Belgian law)
- EPC Charter amended to give decision-making power to the SMC
- Funding by Participants (on a cost recovery basis)
- SMC has 3 independent members (one of whom is Chair) and 9 bankers



- Adherence window for SCT opened in September 2007
- “Adhere here” page on EPC website for adherents’ use
- SMC membership approved by September 2007 Plenary
- SMC first meeting 24 October 2007 to review and approve received adherence agreements
- 12 ACHs have already declared intent to be CSM
- Register of Participants published for the first time on 2nd November 2007



Thank you for your attention

Any questions?